Government of
Saskatchewan

Annual Report
1985 - 86

The Saskatchewan Agricultural Returns Stabilization Fund

ANNUAL REPORT

1985 - 1986

THE SASKATCHEWAN AGRICULTURE RETURNS STABILIZATION FUND

Annual Report
of the
Saskatchewan Agricultural
Returns Stabilization Fund

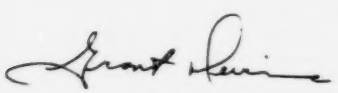
1985-1986

To His Honour
The Honourable F.W. Johnson
Lieutenant Governor
of The Province of Saskatchewan

Sir:

I have the honour to submit the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1986.

I have the honour to be, Sir,
Your obedient servant,



Grant Devine,
Premier and
Minister of Agriculture

Honourable Grant Devine
Premier and
Minister of Agriculture

Dear Sir:

It is my pleasure to present the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1986.

Respectfully submitted,

Jack Drew
Deputy Minister
of Agriculture

ANNUAL REPORT
OF THE
SASKATCHEWAN AGRICULTURAL
RETURNS STABILIZATION FUND
1985 - 1986

Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund 1985 - 1986

The Fund

The Saskatchewan Agricultural Returns Stabilization Fund was established pursuant to Section 5 of the Saskatchewan Agricultural Returns Stabilization Act. The Fund was established to carry out programs established under the Act.

The Fund has separate accounts for each market insurance program established pursuant to the act. In 1985/86 the Fund had three accounts for the three market insurance plans. The accounts were:

a) the cow calf to finish account for the cow calf to finish market insurance plan

b) the feeder finish account for the feeder finish market insurance plan, and

c) the Saskatchewan Hog Assured Returns Program account for the Saskatchewan Hog Assured Returns Program (SHARP)

Each account obtains revenue from levies assessed on eligible animals sold by participating producers. The levies paid by participating producers are matched by the Government of Saskatchewan. Whenever the plans make any payouts, they are made from the account. Each account earns interest on fund balances and pays interest on fund deficits.

When an account does not have a sufficient balance to make a payment it can borrow money from the Consolidated Fund of the Province. The terms and conditions of these loans are determined by the Lieutenant Governor in Council.

Accounts in the Fund

1. Cow Calf to Finish Account

The cow calf to finish market insurance plan provides protection to producers who have a cow herd and finish their calves for slaughter. The support level is calculated on the basis of a cost of production model and includes all cash costs plus 50% of non cash costs.

Enrollment is based on the cow herd with payments based on actual marketings up to a maximum of 90% of the enrolled cow herd. The maximum enrollment is 200 slaughter animals per operator up to a maximum of 3 operators per production unit.

The plan is funded by a levy on slaughter animals. The long term levy is 4% of the value of the slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy has been increased to 6% due to the large deficit.

2. Feeder Finish Account

The feeder finish market insurace plan provides protection to Saskatchewan residents who own or purchase feeder cattle and finish them for slaughter. The support level is calculated on the basis of a cost of production model for a 650 lb. steer finished to 1050 lbs. All cash costs and 50% of non cash costs are included in the support formula.

The maximum enrollment is based on whether the resident is a feedlot operator or a custom feeder. The maximum finished cattle for any resident is 5000.

The plan is funded by a levy on slaughter animals. The long term levy is 2% of the value of a slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1985-86 was 2.5% due to the deficit in the account.

3. SHARP Account

The Saskatchewan Hog Assured Returns Program provides protection to producers who finish hogs for slaughter. The support level is calulated on the basis of a cost of production model for a 65 sow farrow to finish operation. All cash costs and 75% of non cash costs are included in the support formula.

Enrollment is based on the production unit which finishes hogs. The maximum enrollment is 1500 hogs per quarter per production unit.

The plan is funded by a levy on finished hogs. The long term levy is 3% of the value of a finished hog, matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1985-86 was 4.5%.

Saskatchewan has joined the national tripartite stabilization plan for hogs. The level of support offered by SHARP will decline over the next five years and the plan will be terminated on March 31, 1991.

Plan Operations

Slaughter Cattle Plans

Slaughter cattle prices declined from levels of a year ago for three quarters out of four in 1985-86. Payouts were made in every quarter under both the cow calf to finish plan and the feeder finish plan.

The plan operations for the fiscal year are as follows:

Cow Calf to Finish Plan

	1985			1986
	Q2	Q3	Q4	Q1
Slaughter cattle covered	22,483	31,386	15,129	21,711
Support price[1] $/lb.	$1.5654	1.5631	1.5389	1.5144
Market price[1] $/lb.	$1.3472	1.2032	1.3926	1.3097
Average payout[1] $/lb.	$0.2189	.3633	.1378	.2014
Total payout	$2,934,098	7,021,166	1,235,462	2,603,760
Producer levies	$1,042,498	1,364,124	739,062	989,914

1/ basis rail grade hot carcass weight

Feeder Finish Plan
1985-1986

	1985			1986
	Q2	Q3	Q4	Q1
Slaughter cattle covered	9,497	19,211	15,240	19,325
Support price[1] $/lb.	$1.4635	1.4635	1.4318	1.3798
Market price[1] $/lb.	$1.3472	1.2032	1.3926	1.3097
Average payout[1] $/lb.	$0.1194	.2629	.0394	.0667
Total payout	$664,674	3,255,273	347,311	860,512
Producer levies	$147,814	290,523	258,675	341,033

[1]/ basis rail grade hot carcass weight

Hog Plan

Hog prices were down over the prices of a year ago. SHARP made substantial payments to hog producers during the 1985-86 year.

SHARP

	1985			1986
	Q2	Q3	Q4	Q1
Hogs in plan	168,306	154,895	160,973	158,895
Support price $/lb. dressed	$81.21	80.96	78.48	76.31
Market price $/lb. dressed	$60.49	64.42	68.15	66.99
Average payout $/lb. dressed	$20.72	16.54	10.33	9.71
Total payout	$6,264,253	4,577,167	2,830,597	2,625,124
Producer levies	$724,246	719,836	918,606	878,816

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

FINANCIAL STATEMENTS

Year Ended March 31, 1986

OFFICE OF THE PROVINCIAL AUDITOR

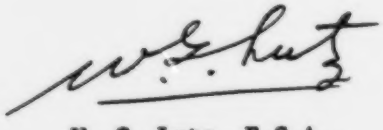
REGINA, SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of The Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1986, and the statement of revenue and expenditure and fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the fund as at March 31, 1986, and the results of its operations for the year then ended, in accordance with accounting principles disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
August 27, 1986 except as to
Cow Calf to Finish Market
Insurance Plan and Feeder
Finish Market Insurance Plan
which is as of April 15, 1987.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Statement 1

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

BALANCE SHEET

As at March 31

	1986				1985
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
ASSETS					
Cash	$ 10,995	$ 169,906	$ 38,652	$ 219,553	$ 1,669,004
Short-term investments	1,798,921	—	—	1,798,921	497,426
Contributions receivable					
- Government of Saskatchewan	887,192	1,537,881	248,915	2,673,988	1,959,473
- Saskatchewan Pork Producers Marketing Board	312,696	—	—	312,696	520,282
- Government of Canada	—	826,190	517,527	1,343,717	—
- producers	1,122	868,598	67,304	937,024	487,364
- Saskatchewan Beef Stabilization Board - producers trust account	—	325,696	112,435	438,131	400,487
Accrued interest receivable	7,205	8,023	2,869	18,099	17,148
Accounts receivable	—	—	—	—	270
	$ 3,018,131	$ 3,736,296	$ 987,702	$ 7,742,129	$ 5,551,654
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 2,627,533	$ 2,725,355	$ 911,085	$ 6,263,973	$ 4,552,824
Loans - Department of Agriculture	23,649,343	42,282,547	5,250,000	71,181,890	51,145,953
Accrued interest payable	1,217,028	1,595,615	275,513	3,088,156	2,171,623
Fund Balance					
(Fund deficiency) - Statement 2	(24,475,773)	(42,867,221)	(5,448,896)	(72,791,890)	(52,338,746)
	$ 3,018,131	$ 3,736,296	$ 987,702	$ 7,742,129	$ 5,551,654

(See accompanying notes)

Statement 2

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF REVENUE AND EXPENDITURE AND FUND BALANCE

For the Year Ended March 31

	1986				1985
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
Revenue					
Producer contributions	$ 3,217,300	$ 4,715,840	$ 1,038,044	$ 8,971,184	$ 9,242,293
Government of Saskatchewan	3,217,300	4,715,840	1,038,044	8,971,184	9,242,293
Government of Canada	1,040,879	826,190	517,527	2,384,596	---
Interest	35,919	111,799	38,045	185,763	252,932
	7,511,398	10,369,669	2,631,660	20,512,727	18,737,518
Expenditure					
Stabilization to producers	16,329,527	13,839,486	5,127,770	35,316,783	18,742,558
Loan interest	2,116,371	3,051,217	455,459	5,623,047	5,112,403
Other	2,865	22,642	534	26,041	4,520
	18,448,763	16,933,345	5,583,763	40,965,871	23,859,481
Excess of revenue over expenditure (expenditure over revenue)	(10,937,365)	(6,563,676)	(2,952,103)	(20,453,144)	(5,121,963)
Fund balance (deficiency), beginning of year	(13,538,408)	(36,303,545)	(2,496,793)	(52,338,746)	(47,216,783)
Fund balance (deficiency), end of year	$(24,475,773)	$(42,867,221)	$(5,448,896)	$(72,791,890)	$(52,338,746)

(See accompanying notes)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 1986

1. Accounting Policies

These financial statements are prepared in accordance with accounting principles appropriate for organizations of this type. Accordingly, these financial statements have been prepared on the accrual basis of accounting and include the following significant accounting policies:

a) Revenue Recognition

Producer contributions and government contributions are recognized on the basis of slaughter date.

b) Fund Accounting

Activities of the Saskatchewan Agricultural Returns Stabilization Fund are accounted for by three separate funds segmented in the statement of revenue and expenditure and fund balance for each of the three stabilization plans described in the authority note.

c) Government Contributions

In accordance with Section 6(2) of The Saskatchewan Hog Assured Returns Program Regulations, 1983 and in accordance with Section 7(2) of both The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations, the Department of Agriculture, from money appropriated under the Act, contributes a matching amount equal to the total of levies charged to participants.

d) Distribution on Termination

Provision is made in Section 4 of the regulations for a distribution of the fund balance if the program is ended. Any surplus, as determined by the regulations, which remains if the program ends will be shared equally between the participants and the Consolidated Fund of the Province. Any deficit, as determined by regulation, would be repaid by the Department of Agriculture, from money appropriated under the Act.

e) Loans from the Department of Agriculture

i) Saskatchewan Hog Assured Returns Program

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 288/86 authorized loans not exceeding $35 million to be made to the fund which will bear interest at a rate calculated April 1 and October 1 each year based on the preceding six month average cost of money to the Consolidated Fund for that period.

ii) Cow Calf to Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1040/85 authorized loans not exceeding $50 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period. Order-in-Council 790/85 provides that no interest is charged on the first $13,127,303 of the loan.

iii) Feeder Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1184/85 authorized loans not exceeding $10 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period.

2. Authority

Establishment of Program

1) Saskatchewan Hog Assured Returns Program (SHARP)

This program was established in 1976 under regulations issued pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975. These regulations have been revoked and the program continues under The Saskatchewan Hog Assured Returns Program Regulations, 1983 (Order-in-Council 998/83) effective July 1, 1983. These regulations were subsequently amended by Order-in-Council 1399/83 effective September 15, 1983, and Order-in-Council 1170/84 effective September 27, 1984.

Section 3(2) of the regulations stipulates that the plan is to be reviewed on January 1, 1987. Provision has been made in the regulations for an earlier review of the plan.

ii) Cow Calf to Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 457/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

Section 3(2) of the regulations stipulates that the plan is to be reviewed on January 1, 1987. Provision has been made in the regulations for an earlier review of the plan.

iii) Feeder Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 456/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

Section 3(2) of the regulations stipulates that the plan is to be reviewed on April 1, 1987. Provision has been made in the regulations for an earlier review of the plan.

3. Related Party Transactions

Administrative Expenses

The Saskatchewan Hog Assured Returns Program (SHARP) is administered by the Saskatchewan Pork Producers Marketing Board. The Minister of Finance reimburses the Board directly for costs the Board incurs as administrator of the plan. Accordingly, these amounts are not included in these financial statements.

The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan are administered by the Saskatchewan Beef Stabilization Board. The amounts reimbursed directly to the Board by the Department of Agriculture for costs charged as administration are not included in these financial statements.

4. S.H.A.R.P. Phase-out

The province has joined a national tripartite price stabilization scheme for hogs. The agreement calls for a complete phase-out of S.H.A.R.P. over the five years commencing April 1, 1986.

Subsequent to March 31, 1986, Order-in-Council 696/86 authorized the Saskatchewan Hog Assured Returns Program Amendment Regulations, 1986, phasing out the program.

5. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with the presentation in 1986.